TFW 3627

Attorney Docket No. 13466-002005

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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| In re: | | ) | |
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| Applicant: | Thomas G. Woolston | ) | |
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| Application No. | 09/670,562 | ) | Group Art Unit: 3627 |
| | | ) | |
| Examiner: | James A. Kramer | ) | |
| | | ) | |
| Filing Date: | September 27, 2000 | ) | |
| | | ) | |
| Title: | Method for Facilitating Commerce at an Internet-Based Auction | ) | |

**PETITION OBJECTING TO IMPROPER THIRD-PARTY PARTICIPATION IN EXAMINATION OF PENDING APPLICATION BY EBAY, INC, AND REQUESTING THAT THE OFFICE EXPUNGE IMPROPER THIRD-PARTY FILING OF EBAY, INC.**

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Sir:

On April 22, 2005, adjudicated willful infringer eBay, Inc. ("eBay"), filed documents in every pending patent application assigned to and owned by MercExchange, LLC ("MercExchange" or the "Patent Owner"), consisting of more than 53 pages of adversarial argument. In these filings, eBay asked that the United States Patent and Trademark Office ("the Office") "take notice" of eBay's broadside of contentions with respect to the validity of the

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I hereby certify under 37 CFR §1.8(a) that this correspondence is being deposited with the United States Postal Service as first class mail with sufficient postage on the date indicated below and is addressed to the Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

June 20, 2005
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Signature

Nancy Grant
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claims of three of MercExchange's patents that are currently undergoing reexamination, U.S. Patent 5,845,265 (the "'265 Patent"), U.S. Patent 6,085,176 (the "'176 Patent"), and U.S. Patent 6,202,051 (the "'051 Patent").[1]

eBay's filings constitute an improper attempt to participate in the *ex parte* prosecution of MercExchange's patent prosecution matters, and the reexamination proceedings.[2] MercExchange objects to any participation by eBay in the prosecution of MercExchange's patents, and accordingly, MercExchange requests that the PTO deny eBay's request that the Office "take notice" of eBay's arguments, and further requests that the Office expunge eBay's filing from the prosecution file.

The Patent Owner respectfully submits this Petition under 37 C.F.R. § 1.59 and § 1.181, and requests that the Office deny eBay the right to participate, deny its request to "take notice" of its arguments, and refuse entry and consideration of its improper filing. A check in the amount of $130.00 is included to cover the petition fees required under 37 C.F.R. § 1.17(h).

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[1] eBay also made virtually identical improper filings in the *ex parte* reexaminations. These filings likewise violated the applicable statutory and regulatory provisions governing *ex parte* reexaminations. MercExchange has filed objections to eBay's improper attempt to participate in the three reexaminations.

[2] Mr. Monahan, the individual signing each of eBay's filings, is the Intellectual Property Counsel for eBay, and the inventor of at least one patent assigned to eBay, U.S. Patent No. 6,523,037. Mr. Monahan's patent cites all three of MercExchange's patents undergoing reexamination as prior art references. Although Mr. Monahan appears not to be registered to practice before the Office, nonetheless the regulations provide that "[t]he presentation to the Office .. of any paper by a party, ***whether a practitioner or non-practitioner,*** constitutes a certification under § 10.18(b) of this chapter." 37 C.F.R. § 1.4(d)(2) (emphasis added). Of particular note, Section 10.18(b)(2) requires that a party's filing constitutes certification that "[t]he paper is not being presented for any improper purpose, such as to harass someone or to cause unnecessary delay or needless increase in the cost of prosecution before the Office". 37 C.F.R. § 10.18(b)(2).

## PRELIMINARY STATEMENT

In May 2003, at the conclusion of a five-week trial, a jury returned a verdict of willful infringement of 41 claims of the '265 and '176 Patents against defendant eBay (and its wholly-owned subsidiary Half.com, Inc.). As the Office is aware, in the course of that trial, in Special Interrogatories, the jury was asked repeatedly to make findings as to the alleged invalidity of MercExchange's Patents. In response to 152 special questions, the jury found each of the claims to be not invalid. The issues of infringement and validity of the '051 Patent were not a part of that trial, because the district court had earlier granted summary judgment to eBay that all the claims of that patent lacked an adequate written description under 35 U.S.C. § 112, Paragraph One.

eBay appealed the jury's verdict of infringement and validity of the '265 and '176 Patents to the United States Court of Appeals for the Federal Circuit. MercExchange cross-appealed the grant of summary judgment to eBay with respect to the '051 Patent. With respect to the '265 Patent, the Federal Circuit has upheld the verdicts of validity and infringement, and has denied eBay's petition for rehearing. With respect to the '176 Patent, the Federal Circuit found that the claims asserted at trial were invalid as anticipated under Section 102, and therefore the appellate court did not reach the issue of infringement. The Federal Circuit reversed the finding of invalidity of the '051 Patent claims, and remanded the '051 Patent issues to the district court for trial.

eBay has represented that it will petition the United States Supreme Court for a *writ* of *certiorari* with respect to two issues. However, it apparently does not intend to request review of the verdict of validity of the '265 Patent, or the reversal of the district court's invalidity ruling with respect to the '051 Patent.

On April 22, 2005, eBay filed with the Office a document consisting of 53 pages of argument, together with an appendix presenting even more argument, in which eBay inserted itself as an adversarial participant in this *ex parte* proceeding. eBay filed virtually the same document in all three pending *ex parte* reexamination proceedings, and in every MercExchange patent application prosecution file. Much of this document consisted of an inflammatory diatribe against MercExchange and the inventor, and contained both false and highly misleading allegations about the manner in which the inventor has prosecuted his patents.

Clearly, it was eBay's intent to sully the reputation of MercExchange and its inventor with this Office, and to make thinly-veiled, albeit baseless accusations of inequitable conduct. And just as clearly, eBay knew when it filed these documents that it had no right to do so. As discussed below, MercExchange's ongoing patent prosecutions are *ex parte* proceedings, and eBay's filings are improper.

eBay invokes 37 C.F.R. § 1.182, a provision that pertains to "situations not specifically provided for in the regulations." However, this situation is squarely covered by the patent statute, regulations, and the MPEP. eBay's filing is prohibited.

Obviously, the Office is well aware of MercExchange's pending patent applications, and MercExchange does not object to the Office having all relevant information with respect to those applications. Indeed, as the Office is aware, MercExchange has requested that all of these applications be consolidated before a single examiner to avoid the very problem now presented, *viz.*, that an infringer such as eBay could falsely portray MercExchange as attempting to manipulate the Office by pursuing similar inventions before different examiners. And as the Office is aware, it was the Office and not MercExchange that in several instances required MercExchange to prosecute its inventions in separate applications. MercExchange again

respectfully reiterates its request that all of its pending applications be consolidated before a single examiner.

However, while MercExchange does not object to the Office having all relevant information from the other MercExchange applications, MercExchange very much objects to eBay's improper attempt to participate in this *ex parte* proceeding. MercExchange therefore requests that the Office deny eBay the right to participate in this proceeding, refuse eBay's request that the Office "take notice" of eBay's arguments, and expunge eBay's improper filing from the publicly available record.

## POINTS TO BE REVIEWED

The Patent Owner requests that the Office consider the following points:

1. The Office should deny eBay's improper attempt to participate in this *ex parte* proceeding. eBay's participation is prohibited by the patent statute, by applicable regulations, and by the MPEP.

2. The Office should deny eBay's request to take notice of its arguments because eBay's participation in this proceeding is prohibited.

3. eBay's improper request should be expunged from the record of this proceeding.

## STATEMENT OF FACTS

- On May 27, 2003, a Virginia jury, at the conclusion of a five-week trial, determined that eBay and its wholly-owned subsidiary Half.com, Inc. willfully infringed MercExchange's '265 Patent. The jury also found that Half.com willfully infringed the '176 Patent. The jury rejected each and every ground of invalidity asserted by the defendants.

- On or about March 8, 2004, eBay requested that the Office reexamine the '265 Patent (assigned Control No. 90/006,956), and on the same day filed a request for reexamination of the '176 Patent (assigned Control No. 90/006,957), (the validity of both of such patents having previously been tried to and affirmed by a jury).

- On or about March 29, 2004, eBay requested that the Office reexamine the '051 Patent (assigned Control No. 90/006,984).

- On April 22, 2004, MercExchange filed a petition with the Office requesting that it dismiss the requests for reexamination of the '265 and '176 Patents on various grounds.

- On or about April 28, 2004, the Office granted the request for reexamination with respect to the '051 Patent. The Order of this Office stated, "[i]f Patent Owner does not file a timely statement under 37 CFR 1.530(b), then no reply by requester is permitted."

- On or about May 19, 2004, MercExchange filed a petition with the Office asking that it dismiss the '051 Patent reexamination on various grounds.

- On or about June 4, 2004, the Office denied MercExchange's petitions with respect to the '265 and '176 Patents, and on that same date granted the request for reexamination with respect to those patents. The Orders of this Office stated, "[i]f Patent Owner does not file a timely statement under 37 CFR 1.530(b), then no reply by requester is permitted."

- On or about June 29, 2004, the Office denied MercExchange's petition with respect to the '051 Patent.

- MercExchange did not file statements under 37 CFR 1.530(b) and, therefore, eBay had no right to respond to such a statement. MercExchange did not file a statement of patentability with respect to any of the three reexamination proceedings.

- On April 22, 2005, eBay filed with the Office a 53-page brief with an attached appendix and exhibit setting forth numerous arguments as to the alleged invalidity of the claims of the Patents under reexamination. eBay filed a copy of its brief in each of the three pending reexamination proceedings. eBay also filed a copy of its brief in each of MercExchange's pending patent application proceedings.

## ACTION REQUESTED

The Patent Owner respectfully requests that the Office deny eBay's improper attempt to participate in this *ex parte* patent prosecution proceeding, and accordingly deny its request that the Office "take notice" of its arguments set forth in its improper filing. The Patent Owner further requests that the Office expunge eBay's improper filing from the prosecution file.

## ARGUMENT

## I. eBAY IS PROHIBITED FROM PARTICIPATING IN THIS *EX PARTE* PROCEEDING

### A. The Patent Statute Does Not Provide eBay With The Right To Participate

It is firmly established that patent prosecution is an *ex parte* proceeding, in which eBay does not have the right to participate. *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991) ("we find nothing in the law which gives rise to a right in nonapplicants to object to the way in which patent applications of others are prosecuted. A third party has no right to intervene in the prosecution of a particular patent application to prevent issuance of an allegedly invalid patent."). *See also* 4 Donald S. Chisum, CHISUM ON PATENTS, § 11.03[3] (2004) ("[t]he PTO holds pending applications in confidence and conducts the examination 'ex parte' with the applicant pressing his claims and the examiner impartially judging the merits of those claims. Persons other than the applicant may participate in the examination process only through the limited vehicles of public use proceedings and protests."); *id.* at § 11.03[3][b], n. 25 ("[s]ecret *ex parte* examination is a long established procedure in United States patent issuance procedure. The patent statutes mention no rights of protest or participation.").

In contrast, Congress has designated other PTO proceedings explicitly as *inter partes*, including patent interferences, 35 U.S.C. § 135(a), and trademark oppositions and cancellations, 15 U.S.C. §§ 1063, 1064, 1067. However, the statutory sections governing patent application and examination procedures prescribe an *ex parte* proceeding. 35 U.S.C. §§ 131-134, 141, 145.[3]

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[3] Only specific, limited provisions for third party participation exist, none of which apply in this case. *See* 37 C.F.R. § 1.291 ("protests"); 37 C.F.R. § 1.292 ("public use proceedings"). eBay has not invoked any of these provisions with its filing, nor does its filing comply with these provisions. Among other things, the protest procedures require that the protestor may provide only a "concise" explanation of the relevance of listed prior art, 37 C.F.R. § 1.291(a)(b)(2), and the protest must be clearly identified as such. Manual of Patent Examining Procedure

Accordingly, eBay's filing in this *ex parte* prosecution is prohibited, and no exception applies.

**B. eBay's Filing Fails To Demonstrate The Invalidity Of Any Claim**

eBay's identical filings in all of MercExchange's pending applications fail to show the invalidity of any claim. eBay does not address the claims as a whole, but rather it creates an index of words and phrase snippets allegedly found in the prior art. This mode of analysis is improper under settled patent law. Under this type of analysis, eBay could never have been issued its own patent, *see supra* footnote two, because the words and phrases used therein can be found in MercExchange's previously issued patents that are cited as relevant prior art.

The proper analysis for obviousness requires a determination "that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. § 103(a); *see Graham v. John Deere Co.*, 383 U.S. 1, 14 (1966). The ultimate determination of whether an invention is obvious is a legal conclusion based on underlying factual inquiries including: (1) the scope and content of the prior art; (2) the level of ordinary skill in the prior art; (3) the differences between the claimed invention and the prior art; and (4) objective evidence of nonobviousness. *See Graham*, 383 U.S. at 17-18; *Miles Labs., Inc. v. Shandon Inc.*, 997 F.2d 870, 877 (Fed. Cir. 1993).

"When determining the patentability of a claimed invention which combines two known elements, 'the question is whether there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination.'" *See In re Beattie*, 974 F.2d

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("MPEP"), § 1901.03. No protest may be filed where an application has been published. 37 C.F.R. § 1.291(a)(1). Likewise, 37 C.F.R. § 1.99 provides strictly circumscribed opportunities for a third party to file a prior art submission, but that provision flatly prohibits any explanation or argument concerning the prior art. 37 C.F.R. § 1.99(d); MPEP, § 610.

1309 (Fed. Cir. 1992) (quoting *Lindemann Maschinenfabrik GMBH v. American Hoist & Derrick Co.*, 730 F.2d 1452 (Fed. Cir. 1984)).

Therefore, a "teaching or suggestion or motivation [to combine]" is an "essential evidentiary component of an obviousness holding." *See, e.g., C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1352 (Fed. Cir. 1998); *In re Rouffet*, 149 F.3d 1350, 1359 (Fed. Cir. 1998) ("the Board must identify specifically ... the reasons one of ordinary skill in the art would have been motivated to select the references and combine them"); *In re Fine*, 837 F.2d 1071, 1075 (Fed. Cir. 1988) (evidence of teaching or suggestion "essential" to avoid hindsight). Combining prior art references without evidence of such a suggestion, teaching, or motivation simply takes the inventor's disclosure as a blueprint for piecing together the prior art to defeat patentability--the essence of hindsight. *See, e.g., Interconnect Planning Corp. v. Feil*, 774 F.2d 1132 (Fed. Cir. 1985) ("The invention must be viewed not with the blueprint drawn by the inventor, but in the state of the art that existed at the time.").

Thus, the fact that words, phrases or concepts can be found in disparate, alleged prior art references is wholly insufficient to show obviousness; indeed, most, if not all inventions arise from a combination of old elements. *See In re Rouffet*, 149 F.3d at 1357. Every element of a claimed invention may often be found in the prior art. *See id.* Identification in the prior art of each individual part claimed is insufficient to defeat patentability of the whole claimed invention. *See id.* eBay's filings wholly fail to apply to the correct analysis of obviousness as set forth above.

### C. Because eBay Is Prohibited From Participating In This Proceeding, The Office Should Deny eBay's Request To "Take Notice" Of Its Arguments

Because eBay is prohibited from participating in this proceeding, the Office must deny eBay's request that the Office "take notice" of eBay's arguments. For eBay to be permitted to

submit arguments of which this Office would take notice would clearly violate the statutory and regulatory prohibitions against eBay's participation. Accordingly, the Office should deny eBay's request.

**D. The Office Should Expunge eBay's Improper Filing From The Record**

Because eBay's filing is improper, the appropriate course of action is for the Office to expunge it, together with the appendices and exhibits thereto, from the prosecution file. *In re Chambers,* 1991 WL 326573, *8 ("[a] petition ... by [the] third party requester ... is an improper submission under § 1.550(e) since it was filed after ex parte reexamination on the merits started. Accordingly, [its] petition will not be made of record in the reexamination file and is being returned herewith"). *See also* 37 C.F.R. § 1.59 (providing for expungement of information or copy of papers in application file); *cf.* MPEP, § 2267 (providing that inappropriate papers filed by third party in *ex parte* reexamination should be returned to identified third party).

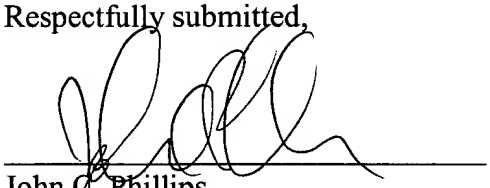
## II. CONCLUSION

For the foregoing reasons, MercExchange respectfully requests that the Office deny eBay's improper attempt to participate in this proceeding. Accordingly, MercExchange further requests that the Office deny eBay's request that the Office "take notice" of its arguments, and that the Office expunge eBay's improper filing from the record.

Please apply any charges or credits to Deposit Account No. 06 1050.

Dated: June 20, 2005

Respectfully submitted,



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